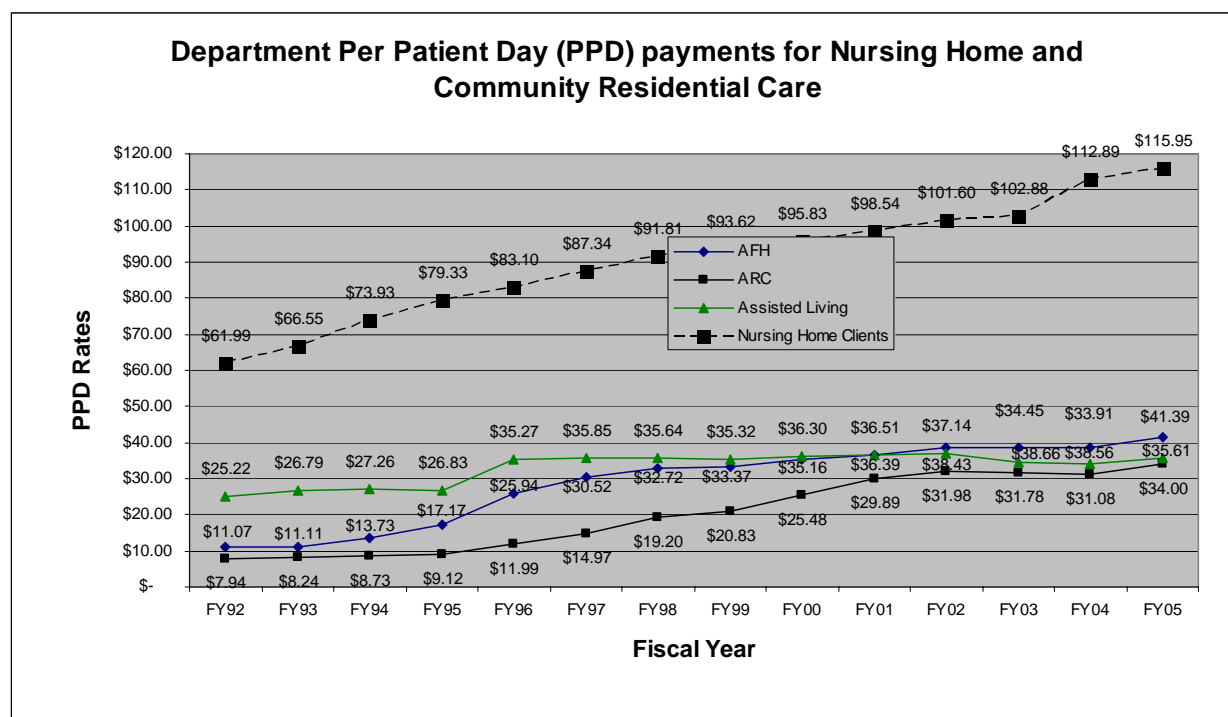


Fact Sheet:

Growth in State Costs for Nursing Home and Residential Care

Background

Depending on the income and resources of the individual client, most Medicaid eligible individuals receiving long-term care services are required to pay for part of, or participate in, the cost of these services. After client participation and any other 3rd party payments, the department covers the remaining cost of the services. The following chart represents only the department portion of the costs for nursing home, adult family home (AFH), adult residential care (ARC), and assisted living care.



As indicated by the chart, the cost to the department for nursing home care far exceeds the cost of providing services in the other community residential settings. Nursing home payment rates have also increased more rapidly (over \$50/day) than residential rates (approximately \$20/day) in the last 13 years as well.

Why does the cost of nursing home care far exceed that of community residential care?

The difference in rates is partially explained in that nursing homes tend to serve higher needs residents and are more highly regulated at both the state and federal level, including required minimum RN and LPN staffing requirements. However, nursing homes are also the only long-term care setting for which payment is based to a great extent on cost reimbursement.

Why have state nursing home rates increased more rapidly than community residential rates?

Within the limits of the state's cost reimbursement methodology nursing homes have an incentive to incur expenses that are then reimbursed by the department. Nursing home rates have also historically been rebased every 2-3 years. Boarding home and adult family home payment rates are standardized and set by the department. Costs unique to any individual facility are not reflected in the rate and a rebase of the rate rarely occurs. Also, vendor rate increases authorized by the legislature are typically higher for nursing homes than for other providers.